

## Message Text

PAGE 01 STATE 172159

73

ORIGIN AGR-08

INFO OCT-01 EUR-12 IO-13 ISO-00 FEA-01 CEA-01 CIAE-00

COME-00 DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 ITC-01 TRSE-00 PRS-01 SP-02 OMB-01 NSCE-00

SSO-00 USIE-00 INRE-00 AF-08 ARA-06 EA-07 NEA-10

OIC-02 /136 R

DRAFTED BY USDA:RSCHROETER:JT 7/12/76 395-6166

APPROVED BY STATE:WBARRACLOUGH

STR:JSTARKEY

STATE:ECASEY

USDA:GFRASER

STATE:TOHERRON

TREASURY:BBARREDA

COMMERCE:DSCHLECHTY

LABOR:DWANAMAKER

----- 114865

O 122242Z JUL 76

FM SECSTATE WASHDC

TO USMISSION GENEVA IMMEDIATE

INFO USMISSION EC BRUSSELS IMMEDIATE

USDEL MTN GENEVA

LIMITED OFFICIAL USE STATE 172159

E.O. 11652:N/A

TAGS: ETRD;EAGR

SUBJECT: U.S. NFDM STATEMENT FOR JULY 15 GATT COUNCIL

1. THE FOLLOWING IS THE TEXT OF U.S. STATEMENT TO THE  
LIMITED OFFICIAL USE  
LIMITED OFFICIAL USE

PAGE 02 STATE 172159

JULY 15 GATT COUNCIL ON THE EC'S COMPULSORY PURCHASE  
PROGRAM FOR NFDM. GORDON FRASER, ASSISTANT ADMINISTRATOR  
INTERNATIONAL TRADE, FAS, USDA WILL BE AVAILABLE TO  
PRESENT U.S. STATEMENT IF APPROPRIATE.

2. BEGIN TEXT:

AT THE APRIL 27, 1976 MEETING OF THE GATT COUNCIL, THE U.S. REPRESENTATIVE MADE A STATEMENT REGARDING THE EUROPEAN COMMUNITY'S COMPULSORY PURCHASE PROGRAM FOR NFDN WHICH REQUIRES IMPORT DEPOSITS FOR ANIMAL FEED PROTEINS (C/M/113, MAY 11, 1976). IN LIGHT OF THE IMPACT ON U.S. TRADE OF THE TRADE RESTRICTIVE MEASURES IN THE EC SCHEME AND BECAUSE OF THE INTEREST OF OTHER CONTRACTING PARTIES, THE U.S. WISHES TO EXPAND UPON ITS EARLIER STATEMENT.

IN BRIEF, THE COMMUNITY PROGRAM REQUIRES THAT A CERTAIN AMOUNT OF NONFAT DRY MILK FROM INTERVENTION STOCKS BE PURCHASED FOR EACH TON OF DOMESTIC OR IMPORTED VEGETABLE

PROTEIN MATERIAL PURCHASED. IF THE NONFAT DRY MILK IS NOT PURCHASED, THE IMPORT DEPOSIT IS FORFEITED. THE DEPOSIT FOR U.S. SOYBEAN MEAL, IS \$33.75 PER TON.

THE CLEAR INTENT AND IMPACT OF THIS SCHEME IS TO REQUIRE THE PURCHASE AND THE USE OR MIXING OF THE DOMESTIC PRODUCT, NFDN, WITH THE IMPORTED AND DOMESTIC VEGETABLE PROTEIN FOR POULTRY AND PIG FEEDS.

THE PURCHASE REQUIREMENT IS ENFORCED BY THE ABOVE MENTIONED DEPOSIT AND LICENSING SYSTEM APPLICABLE TO ALL IMPORTED VEGETABLE PROTEINS. UPON PAYMENT OF THE SURETY DEPOSIT, WHICH VARIES AS TO THE PRODUCT, THE BUYER RECEIVES A PROTEIN CERTIFICATE. THE PROTEIN CERTIFICATE ALLOWS "FREE CIRCULATION" OF THE IMPORTED VEGETABLE PROTEIN IN THE EC. THE PRICE OF THE CERTIFICATE (I.E. THE DEPOSIT) IS REFUNDED UPON PROOF OF PURCHASE OF THE DOMESTIC NFDN FROM INTERVENTION STOCKS. DOMESTICALLY PRODUCED NFDN IS THEREFORE SUBSTITUTED FOR THE IMPORTED LIMITED OFFICIAL USE LIMITED OFFICIAL USE

PAGE 03 STATE 172159

VEGETABLE PROTEIN IN ANIMAL FEEDS, RESULTING IN A DISPLACEMENT OF IMPORTS OF VEGETABLE PROTEIN. THE ANNOUNCED GOAL OF THE EC IS TO DISPOSE OF 400,000 TONS OF THE 1.3 MILLION TONS OF NFDN HELD IN INTERVENTION STOCKS IN THE EC IN ANIMAL FEEDS. THUS, AT A MINIMUM, AT LEAST 400,000 TONS OF VEGETABLE PROTEIN NORMALLY USED IN SUCH LIVESTOCK FEED WILL BE DISPLACED.

THE U.S. REPRESENTATIVE EXPLAINED AT THE APRIL MEETING THAT THE PROGRAM WAS INCONSISTENT WITH THE RULES OF THE GATT; THAT IT IMPAIRED TARIFF CONCESSIONS OF THE U.S. HAD RECEIVED FROM THE COMMUNITY ON SOYBEANS,

SOYBEAN MEAL AND CAKE AND OTHER FEEDSTUFFS; AND THAT IT WOULD HAVE AN ADVERSE EFFECT ON U.S. EXPORTS OF THESE COMMODITIES TO THE COMMUNITY.

IN THE SO-CALLED DILLON ROUND OF TRADE NEGOTIATIONS, THE U.S. "PAID" THE EC FOR DUTY-FREE CONCESSIONS AND BINDINGS ON COTTON SEED, FLAXSEED, SOYBEANS AND OIL CAKES AND MEALS--ALL OF WHICH ARE AFFECTED BY THE EC NFDM PROGRAM. ADDITIONAL TARIFF CONCESSIONS WERE OBTAINED ON OTHER COMMODITIES COVERED BY THE SCHEME, SUCH AS FLOURS OF OILSEEDS. U.S. EXPORTS OF THESE COMMODITIES TO THE EC WERE VALUED AT OVER \$2 BILLION IN 1975. THE EC NFDM DISPOSAL PROGRAM UNQUESTIONABLY IMPAIRS AND SERIOUSLY ERODES THE BENEFITS OF THESE IMPORTANT TRADE CONCESSIONS.

GATT ARTICLE III, PARAGRAPH 5 STATES "NO CONTRACTING PARTY SHALL ESTABLISH OR MAINTAIN ANY INTERNAL QUANTITATIVE REGULATION RELATING TO THE MIXTURE, PROCESSING OR USE OF PRODUCTS IN SPECIFIED AMOUNTS OR PROPORTIONS WHICH REQUIRES, DIRECTLY OR INDIRECTLY THAT ANY SPECIFIED AMOUNT OR PROPORTION OF ANY PRODUCT WHICH IS THE SUBJECT OF THE REGULATIONS MUST BE SUPPLIED FROM DOMESTIC SOURCES." THE EC PURCHASE REQUIREMENT OF DENATURED NON-FAT DRY MILK, WHICH BECAUSE OF ITS MAKE UP CAN ONLY BE USED IN ANIMAL FEEDS, CLEARLY WORKS AS A MIXING REQUIREMENT IN VIOLATION OF ARTICLE III, PARAGRAPH 5. EVEN THOUGH THE DEPOSITS ARE REQUIRED ON SOME DOMESTIC AND MOST IMPORTED VEGETABLE PROTEIN, THE PURCHASE LIMITED OFFICIAL USE LIMITED OFFICIAL USE

PAGE 04 STATE 172159

REQUIREMENT MANDATES PURCHASE OF THE SUBSTITUTABLE PRODUCTS FROM EC INTERVENTION STOCKS OF DOMESTIC NON-FAT DRY MILK. WHILE THE SYSTEM MAY ALSO ADVERSELY AFFECT SOME DOMESTIC VEGETABLE PROTEINS, IT SHOULD BE NOTED THAT THE EC PRODUCES ONLY 15 PERCENT OF ITS DOMESTIC VEGETABLE PROTEIN REQUIREMENTS.

PARAGRAPH (4) ARTICLE II OF THE GATT REQUIRES THAT IMPORTED PRODUCTS RECEIVE NO LESS FAVORABLE TREATMENT THAN ACCORDED TO DOMESTIC PRODUCTS IN RESPECT OF ALL LAWS, REGULATIONS AND REQUIREMENTS AFFECTING SALE, OFFERING FOR SALE, PURCHASE OR DISTRIBUTION. PARAGRAPH 4 IS VIOLATED IN THE FOLLOWING WAYS:

(1) IMPORTED, BUT NOT DOMESTICALLY-PRODUCED CORN GLUTEN, IS SUBJECT TO THE EC SCHEME.

(2) THE SCHEME DOES NOT APPLY TO ANIMAL OR FISH PROTEIN EVEN THOUGH ANIMAL AND FISH PROTEINS ARE, WITH VEGETABLE PROTEIN, SUBSTITUTABLE FOR USE IN FEEDS. THE

SYSTEM THEREFORE FOCUSES THE IMPACT OF THE SCHEME MORE DIRECTLY ON IMPORTED VEGETABLE PROTEINS, PARTICULARLY SOYBEANS.

(3) THE REQUIREMENT FOR A PROTEIN CERTIFICATE AND OTHER SPECIFIC ADMINISTRATIVE REQUIREMENTS APPLY ONLY TO IMPORTED VEGETABLE PROTEINS, PLACING A HEAVIER (AND DISCRIMINATORY) BURDEN ON IMPORTED THAN ON DOMESTIC PRODUCTS IN THE PURCHASE, SALE AND DISTRIBUTION OF THE PRODUCTS IN THE EC IN CONTRAVENTION OF PARAGRAPH (4).

GATT ARTICLE II(1) (B) STATES THAT PRODUCTS ON WHICH CONCESSIONS HAVE BEEN GIVEN SHALL BE EXEMPT FROM CHARGES OF ANY KIND IN EXCESS OF THE CHARGES IMPOSED

ON THE DATE OF THE CONCESSION. THE DEPOSIT SCHEME FOR IMPORTED VEGETABLE PROTEIN MATERIALS IS AN ADDITIONAL CHARGE ON THE BOUND ITEMS, BOTH THOSE WITH DUTIES AND THE DUTY-FREE PRODUCTS. THE CHARGE IS LEVIED BOTH BY THE LOSS OF INTEREST ON THE DEPOSIT AND IN THE CASE OF FOREFEITURES, BY THE FULL AMOUNT OF THE DEPOSIT PLUS LIMITED OFFICIAL USE LIMITED OFFICIAL USE

PAGE 05 STATE 172159

THE INTEREST. THE CHARGE ON THE PRODUCT NULLIFIES AND IMPAIRS THE BOUND CONCESSIONS TO THE UNITED STATES ON VEGETABLE PROTEINS AND CLEARLY VIOLATES ARTICLE II OF THE GATT.

FINALLY, THE EC SCHEME IS FOCUSED ON SPECIFIC VEGETABLE PROTEINS. IT DOES NOT INCLUDE SUBSTITUTABLE IMPORTED PRODUCTS. IN ADDITION, THE VARIOUS DEPOSITS ON THE VEGETABLE PROTEINS DO NOT CORRESPOND TO THE LEVEL OF PROTEIN CONTENT IN THE PRODUCTS. THEREFORE, IMPORTS OF VEGETABLE PROTEIN PRODUCTS FROM SOME COUNTRIES ARE AFFORDED MORE FAVORABLE TREATMENT THAN LIKE PRODUCTS IMPORTED FROM OTHER COUNTRIES. THE RESULT OF THE DEPOSIT GRADATIONS AND THE EXCLUSIONS FROM THE SYSTEM IS TO FOCUS THE DISCRIMINATORY IMPACT ON U.S. PRODUCTS.

THE IMPACT OF THE SCHEME THEREFORE VIOLATES ARTICLE I, THE GENERAL MOST-FAVORED-NATION REQUIREMENT OF THE GATT, BY AFFORDING PRODUCTS OF OTHER COUNTRIES BETTER TREATMENT THAN LIKE PRODUCTS ORIGINATING IN THE U.S.

IN CLOSING WE WANT TO EMPHASIZE AGAIN THAT THE COMMUNITY'S PROBLEM OF OVERPRODUCTION OF DAIRY PRODUCTS AND SPECIFICALLY OF NFDI IS AN INTERNAL PROBLEM WHICH SHOULD NOT BE TRANSFERRED TO THE EC'S TRADING PARTNERS. SUCH ACTIONS ONLY DISRUPT AND DISTORT INTERNATIONAL TRADE AND FRUSTRATE THE EFFICIENT USE OF AGRICULTURAL RESOURCES IN THE WORLD.

AT THIS DATE NO MEASURES HAVE BEEN IMPLEMENTED TO DEAL WITH THE FUNDAMENTAL CAUSE OF THE COMMUNITY'S DAIRY SURPLUS. IN OUR VIEW, SUCH MEASURES SHOULD HAVE BEEN TAKEN LONG AGO TO STOP THE BUILDUP OF THE ENORMOUS STOCKS OF NFDM THAT NOW OVERHANG THE WORLD MARKET AND SERIOUSLY AFFECT ALL OTHER MAJOR DAIRY PRODUCERS AND ESPECIALLY THOSE WHO DEPEND ON THE WORLD MARKET.

THE U.S. HAS ENGAGED IN INTENSIVE BILATERAL CONSULTATIONS WITH THE EC OVER THE PAST MONTHS. THERE HAS BEEN NO SATISFACTORY RESOLUTION OF THE TRADE ISSUES INVOLVED. THE EC DISPOSAL SCHEME CONTINUES IN FORCE. GIVEN THAT LIMITED OFFICIAL USE LIMITED OFFICIAL USE

PAGE 06 STATE 172159

THE EC WILL STILL HAVE HUGE STOCKS OF NFDM WHEN THE PRESENT SCHEME TERMINATES, THERE IS NO ASSURANCE THAT ANOTHER SCHEME FOR DISPOSING OF NFDM WILL NOT BE UNDERTAKEN BY THE EC RESULTING IN STILL FURTHER DISTORTIONS OF INTERNATIONAL TRADE.

EVEN NOW WE UNDERSTAND THE COMMISSION HAS APPROVED A PROPOSAL TO IMPOSE A NEW TAX ON VEGETABLE OILS (EXCEPT OLIVE OIL) WHICH WOULD, IF ADOPTED, RESULT IN FURTHER RESTRICTION OF EC IMPORTS OF OILSEEDS AND PRODUCTS. WITH RESPECT TO THIS TAX OR ANY OTHER MEASURE DESIGNED TO RESTRICT ACCESS OF U.S. SOYBEANS AND PRODUCTS TO THE EC MARKET THERE SHOULD BE NO DOUBT WHATSOEVER THAT THE U.S. WILL MOVE IMMEDIATELY AND FIRMLY TO DEFEND ITS TRADE INTERESTS. END TEXT KISSINGER

LIMITED OFFICIAL USE

<< END OF DOCUMENT >>

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 15 SEP 1999  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ETRD:EAGR  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 12 JUL 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** ShawDG  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976STATE172159  
**Document Source:** ADS  
**Document Unique ID:** 00  
**Drafter:** USDA:RSCHROETER:JT 7/12/76 395-6166  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** n/a  
**Film Number:** n/a  
**From:** STATE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t197607109/baaaepht.tel  
**Line Count:** 252  
**Locator:** TEXT ON-LINE  
**Office:** ORIGIN STR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 5  
**Previous Channel Indicators:**  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** ShawDG  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 31 MAR 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <31 MAR 2004 by greeneet>; APPROVED <13 AUG 2004 by ShawDG>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** U.S. NFDM STATEMENT FOR JULY 15 GATT COUNCIL  
**TAGS:** n/a  
**To:** GENEVA INFO EC BRUSSELS  
MTN GENEVA  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006